

Title: *The Impact of Migration on Foreign Trade: A Developing Country Approach*

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While the causal relationship between migration and trade has not been studied thoroughly, estimation results of gravity model approach suggest that important aspects determining trade volumes can be missed if additional factors, including migration, are not considered. The current paper aims at testing the impact of migration on foreign trade in a relatively closed small economy. We use the data of Bolivia, for the years 1990–2003. We apply gravity model, adding a migration variable to the explanatory variables. We test the impact of both, immigration and emigration on exports and imports and also on intra-industry trade. We use panel estimation including data of 30 trade partners (selected according to higher trade intensity with Bolivia). We control for the economic size and geographical location of trade partners, and for changes in terms of trade. Previous studies show an increasing effect of immigration on both exports and imports elasticities. Some studies find larger exports elasticity compared to imports elasticity, some vice versa. We could not find any studies on emigration impact on trade. Our results show relatively similar impact of both immigration and emigration on foreign trade. Positive significant effect of immigration on exports and imports is confirmed also in Bolivia, even when the migration flows in Bolivia are not as high as in the case of most countries analyzed previously. We can conclude positive effect of migration flows also on intra-industry trade. In the following analysis, we intend to control for the impact of trade agreements and openness of trade partners. We will also try to broaden the sample of trade partners used in the current estimation and to test the hypotheses on other developing countries.